

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 /106 W
-----180523Z 120155 /12

R 171938Z JUN 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 8103
INFO AMEMBASSY BOGOTA
USCINCLANT
USCINCSO
AMEMBASSY SANTIAGO

C O N F I D E N T I A L CARACAS 6164

EO 11652 GDS
TAGS: ENRG PINS PGOV EINV EGEN VE CI
SUBJ: THIS WEEK IN VENEZUELA
REF: CARACAS 5810

SUMMARY. MRS CARTER'S VISIT A RESOUNDING SUCCESS. DIEGO
ARRIA IS CONSIDERING AN INDEPENDENT RACE FOR THE PRESIDENCY.
CONTROVERSIAL OIL SERVICE CONTRACTS TAKE ON A POLITICAL
FLAVOR. VENEZUELAN REACTIONS TO US PETROLEUM STOCKPILE
PLANS. \$100 MILLION VENEZUELAN BOND ISSUE IN NEW YORK.
BUDGETS - 1978BBUDGET OUTLINE TO BE PRESENTED JULY 1 AND BS
8 BILLION IN ADDITIONAL CREDITS APPROVED TO DATE FOR 1977
BUDGET. BORDONI TESTIFIES BEFORE SUPREME COURT. LUIS CORVALAN
VISITS CARACAS. END SUMMARY

1. MRS CARTER'S VISIT A RESOUNDING SUCCESS MRS CARTER'S
VISIT TO CARACAS (JUNE 10-12) WAS A RESOUNDING SUCCESS.
AS EXPECTED, SHE MADE A DEEP AND FAVORABLY IMPRESSION ON
PRESIDENT PEREZ AND THE GOV. THE VENEZUELAN WANT VERY
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MUCH TO ASSOCIATE THEMSELVES WITH WHAT THEY PERCEIVE TO BE
THE "MORAL LEADERSHIP" OF THE CARTER ADMINISTRATION,
PARTICULARLY ON SUCH ISSUES AS HUMAN RIGHTS, DEMOCRACY,
AND NON-PROLIFERATION. IN ADDITION, HER CONVERSATIONS WITH
PRESIDENT PEREZ SERVED TO CLARIFY THE ISSUES AND IDEAS
WHICH PRESIDENTS CARTER AND PEREZ WILL DISCUSS DURING THE
LATTER'S STATE VISIT TO THE US AT THE END OF THE MONTH.

(SEE CARACAS 5872 AND 5903)

2. DIEGO ARRIA - "IN THE PRESIDENTIAL RING?" A LEADING CARACAS WEEKLY RAN AN ARTICLE SPECULATING THAT DIEGO ARRIA, INFORMATION MINISTER AND FORMER CARACAS DISTRICT GOVERNOR, IS PLANNING TO RUN AS AN INDEPENDENT CANDIDATE IN THE 1978 PRESIDENTIAL RACE. IN CONFIDENCE, ARRIA TOLD A USG OFFICIAL THAT HE IS INDEED MAKING PLANS TO START THE RACE IN AUGUST, AFTER THE AD PARTY PRIMARY. ARRIA, VERY POPULAR IN CARACAS, IS NOT A MEMBER OF AD AND HIS ONLY SUPPORT IN AD COMES FROM PRESIDENT PEREZ. ONE WELL-INFORMED AD ANALYST TOLD US THAT ARRIA MAY BE PLANNING TO RUN BOTH FOR PRESIDENT AND SENAROT AS AN INDEPENDENT. WHILE HE HAS NO HOPES OF BEING ELECTED TO THE TOP JUB, HE WOULD EASILY WIN A CARACAS SENATE SEAT ALONG WITH SOME SEATS IN THE CHAMBER OF DEPUTIES FOR A GAGGLE OF SUPPORTERS. ONLY 38, HE COULD THEN USE THIS POSITION TO FURTHER STRENGTHEN HIS PUBLIC IMAGE AND POLITICAL FOLLOWING FOR THE FUTURE.

COMMENT: ARRIA IS EXTREMELY AMBITIOUS AND MAY WELL HAVE BEEN BITTEN BY THE PRESIDENTIAL BUG. HE IS ANATHEMA TO FORMER PRESIDENT BETANCOURT AND BETANCOURT'S CANDIDATE FOR PRESIDENT, AD SECRETARY GENERAL PINERUA ORDAZ, THE LIKELY AD CANDIDATE.

3. CONTROVERSY OVER OIL SERVICE CONTRACTS TAKE ON A POLITICAL FLAVOR. GOVT SPOKESMEN CONTINUED TO DEFEND THE PETROLEUM TECHNICAL SERVICE CONTRACTS, MAINTAINING THAT THESE SERVICES ARE NEEDED AND THE FEES ARE THE LOWEST PAID
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BY ANY OPEC COUNTRY.

COMMENT: THIS CONTROVERSY WILL PROBABLY HAVE LITTLE IMMEDIATE EFFECT ON THE OPERATIONS OF THE NATIONALIZED INDUSTRY, BUT MAYB BE TAKEN AS AN EXAMPLE OF THE DIFFICULTIES IT FACES IN REMAINING INDEPENDENT FROM POLITICAL INFLUENCES.

4. REACTIONS TO US PETROLEUM STOCKPILE PLANS. US PLANS TO BEGIN STOCKPILING PETROLEUM AND THE POSSIBILITY THAT THIS MIGHT BE RAISED DURING PRESIDENT PEREZ' VISIT TO US BROUGHT A MIXED RESPONSE. PRO-VENEZUELA, A NATIONALISTIC LOBBYING GROUP, REITERATED ITS GENERAL SUPPORT FOR GOVT TO GOVT SALES, INCLUDING THOSE TO THE US. THE GOV ALSO CLAIMS INTEREST IN SUCH SALES. BUT SOME POLITICAL GROUPS STRESSED CAUTION, CLAIMING THE PLANNED STOCKPILE IS INTENDED TO WEAKEN OPEC AND WORLD OIL PRICES. ON THE PRACTICAL SIDE, THE PRESIDENT OF LAGOVEN, THE LARGEST OF THE NATIONALIZED PETROLEUM COMPANIES, STATED THAT WITH THE GOV'S CURRENT PRODUCTION CEILING AND EXISTING EXPORT COMMITMENTS, VENEZUELAN NOW HAS NO SURPLUSES AVAILABLE TO MEET THIS

ADDITIONAL DMAND. MOREOVER, HE SAID, VENEZUELA IS ALREADY A SECURE AND LONGSTANDING SUPPLIER TO THE US AND THEREFORE NEED NOT PROVIDE ADDITIONAL ENERGY SECURITY TO THE US THRU PARTICIPATION IN THE PROGRAM.

5. \$100 MILLION BOND ISSUE IN NEW YORK. GOV BONDS TOTALLING \$100 MILLION WERE UUCCESSFULLY PLACED IN THE NEW YORK BOND MARKET JUNE 14, ACCORDING TO PRESS REPORTS AND LOCAL BANKING SOURCES. THE BONDS REPORTEDLY CARRY A 7 7/8'S INTEREST RATE AND MATRUE IN FIVE YEARS. RECEIPTS ARE REPORTEDLY EARMARKED FOR PLAN V PROJECTS. LEAD FINANCIAL INSTITUTIONS INCLUDED MORGAN STANLEY, FIRST BOSTON AND SALOMON BROTHERS.

6. 1978 BUDGET OUTLINE TO BE PRESENTED JULY 1. FINANCE MINISTER HURTADO HAS ANNOUNCED THAT THE 1978 BUDGET OUTLINE WILL BE PRESENTED TO CONGRESS FULY 1. IT WILL REPORTEDLY CALL FOR EXPENDITURES OF APPROX BS 39 BILLION,
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ABOUT 10 PERCENT MORE THAN THAT PROVIDED FOR IN THE 1977 BUDGET BILL, BUT LESS THAN TOTAL 1977 OUTLAYS IF ADDITIONAL CREDITS ARE INCLUDED. OF THE BS 39 BILLION, AN ESTIMATED BS 26 BILLION WILL REPRESENT CURRENT EXPENDITURES (UP 21 PERCENT FROM 1977) WHILE DEBT SERVICE WILL REQUIRE BS 6.5 BILLION (UP 59 PERCENT FROM 1977). REVENUES ARE EXPECTED TO TOAL BS 38 BILLION, LEAVING A POSSIBLE DEFICIT OF BS ONE BILLION. HURTADO EARLIER PREDIECTED THAT VENEZUELA WOULD EXPERIENCE A SERIES OF BUDGETARY DEFICITS IF TAX REFORM LEGISLATION WERE NOT ENACTED QUICKLY. HE DENIED, HOWEVER, THAT THE 1978 BUDGET WOULD BE IN DEFICIT, PREDICTING THAT THE GOV WOULD TAKE ANY STEPS NECESSARY TO PREVENT SUCH AN OCCURENCE.

7. 1977 BUDGET - BS 8 BILLION IN ADDITIONAL CREDITS APPROVED TO DATE. ACCORDING TO MINISTRY OF FINANCE SOURCES, BS 8,300 MILLION IN ADDITIONAL CREDITS HAVE BEEN APPROVED SINCE THE BEGINNING OF JANUARY, BRINGING PROJECTED EXPENDITURES UP TO BS 43,948 MILLION. THE ADDITIONAL CREDITS INCLUDE BS 7,885 MILLION FINANCED UNDER ONE OR ANOTHER OF VENEZUELA'S PUBLIC CREDIT LAWS AND ARE EARMARKED FOR MAJOR PROJECTS UNDER PLAN V. IN ADDITION, BS 4,874 MILLION WAS APPROVED EARLIER THIS YEAR TO FINANCE OPERATIONS OF NEW MINISTRIES WHICH BEGAN FUNCTIONING APRIL 1. OF THIS SUM, ONLY BS 425 MILLION WAS NEW MONEY; THE REST RESULTED FROM A TRANSFER OF FUNDS PREVIOUSLY APPROPRIATED TO PREDECESSOR MINISTRIES. THE NEW 1977 BUDGET TOTAL THUS EXCEEDS THE RECORD 1974 BUDGET BY ABOUT BS 1 BILLION AND THAT OF 1976 BY ABOUT BS 2 BILLION.

8. BORDONI BEFORE SUPREME COURT. THE CRIMINAL CHAMBER OF

THE VENEZUELAN SUPREME COURT HEARD TESTIMONY JUNE 14 BY BANKER CARLO BORDONI IN CONNECTION WITH ITALY'S REQUEST FOR HIS EXTRADITION FOR EMBAZZLEMENT. BORDONI IS SCHEDULED TO APPEAR IN COURT AGAIN JUNE 21 TO PRESENT FURTHER TESTIMONY. REPROTEDELY BORDONI HAS NOT YET TESTIFIED IN CONNECTION WITH CONFIDENTIAL

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THE USG'S REQUEST FOR HIS EXTRADITION, WHICH IS ALSO BEFORE THE SUPRMEME COURT. AFTER HIS APPEARANCE JUNE 14, BORDONI HELD AN IMPROMPTU PRESS CONFERENCE AT WHICH HE ALLEGED THE EXISTENCE OF AN "INTERNATIONAL CONSPIRACY TO DESTROY HIM."

9. LUIS CORVALAN VISITS. LUIS CORVALAN, SECRETARY GENERAL OF THE CHILEAN COMMUNIST PARTY, ARRIVED IN CARACAS JUNE 12 ON A BRIEF VISIT. DURING HIS STAY HE CALLED ON CONGRESS PRESIDENT GONZALO BARRIOS AND CHAMBER OD DEPUTITES PRESIDENT OSWALDO ALVAREX PAZ IN RECOGNITION OF THE CONGRESS' RESOLUTIONS WITH REGARD TO CHILE. SO FAR AS WE KNOW, HE DID NOT MEET WITH ANY SENIOR OFFICIAL OF THE EXECUTIVE BRANCH. AT A JUNE 14 PRESS CONFERENCE CORVALAN CALLED ON VENEZUELA TO HELP FREE 2,500 POLITICAL DETAINEES IN CHILE. SAYING THAT CHILEANS THEMSELVES WOULD SOLVE THEIR POLITICAL PROBLEMS, CORVALAN ASKED PRESIDENT CARTER TO WITHDRAW CIA AGENTS FROM CHILE AND TO SUSPEND ALL MILITARY AND FINANCIAL AID TO THE CHILEAN REGIME.

10. OTHER REPORTING THIS WEEK INCLUDED ISSUES AND IDEAS FOR PEREZ' VISIT TO WASHINGTON (CARACAS 6014), FURTHER NEWSPAPER FALS ALARMS ON THENIEHOUS KIDNAPPING (CARACAS 5099), COUNTRY FINANCED SERVICES(CARACAS 5823), THE ANNUAL LABOR REPORT (CARACAS A-83), REVIEW OF POTENTIAL IMPACT OF INCREASED TAXATION ON AMERICANS OVERSEAS(CARACAS 6068), PETROLEOS OF VENEZUELA REPORTEDLY NOT TO INCREASE PRICES IN THIRD QUARTER (CARACAS 5943), PETROLEUM NATIONALIZATION-- STATUS OF UNRESOLVED ISSUES (CARACAS 5890), ECLA MEETING IN HAVANA (CARACAS 6806), AND COMPLAINT AGAINST US AIRCRAFT AND PILOTS(CARACAS 5918).

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Message Attributes

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Concepts: POLITICAL SUMMARIES
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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Review Transfer Date:
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SAS ID: 2116844
Secure: OPEN
Status: NATIVE
Subject: THIS WEEK IN VENEZUELA
TAGS: ENRG, PINS, PGOV, EINV, EGEN, VE, CI
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/260ffc7a-c288-dd11-92da-001cc4696bcc
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